

The
Management
University
of Africa



Sponsored by the Kenya Institute of Management

POST GRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF BUSINESS ADMINISTRATION

MBA 507: MANAGERIAL ACCOUNTING

DATE: 6TH AUGUST 2018

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

QUESTION ONE

- I. You are the Management Accountant of Neno Limited. The following computer printout shows details relating to June 2017.

	Actual	Budget
Sales volume	4,900 units	5,000 units
Selling price per unit	Ksh11.00	Ksh10.00
Production volume	5,400 units	5,000 units
Direct materials		
Quantity	10,600kg	10,000kg
price per kg	Ksh0.60	Ksh0.50
Direct labour		
hours per unit	0.55	0.50
rate per hour	Ksh3.80	Ksh4.00
Fixed overhead		
Production	Ksh10,300	Ksh10,000
Administration	Ksh3,100	Ksh3,000

Neno Limited uses a standard absorption costing system. There was no opening or closing work-in-progress

Required

Prepare a statement which reconciles the budgeted profit with the actual profit for June 2017, showing individual variances in much detail. (15 marks)

- II. Zero based budgeting (ZBB) attempts to improve upon Incremental type of budgeting which is perceived to carry over inefficiencies from previous periods. It allows for budget reductions and permits the re-allocation of resources from low to high priority programs. Critics are of the opinion that such approach or process of budgeting can be cumbersome in its execution. Required: Identify and explain THREE steps in the preparation of Zero based budget. (5 marks)
- III. Discuss the code of ethical behavior that guides practitioners of management accounting in the budgeting process (10 marks)

QUESTION TWO

- (a) Explain the importance of relevant range in cost behaviour (4 marks)
- (b) Blues Ltd's basic cost and revenue data relating to the month of January 2017 is given below;

	Per Unit (Kes)	Per cent
Sales Price	800	100.00
Less Variable Costs	500	62.50
Contribution margin	300	37.50
The fixed cost is Kes 120,000 per month		

Blues Ltd management accountant expects the company to earn a target net profit of Kes 180,000 per month. Calculate how many units the company will have to sell to achieve this profit (6 marks)

- (c) The process of budgeting is never complete without comparing the budget with the actual position. Enumerate the importance of variance analysis in budgeting (5 marks)

QUESTION THREE

- (a) Using an appropriate example explain why management accounting is important for decision making (4 marks)
- (b) Budgeting is at times affected by human behavior, explain the human behavior problems associated with budgeting (6 marks)
- (c) The budgeted production overhead of Peter rock Ltd for the month of June 2017 is given as Kes 72,000 and the direct material cost as Kes 64,000. The company has budgeted for Kes 80,000 for direct labour cost. Other data is as follows;
- | | |
|------------------------|--------------|
| Machine hours | 20,000 hours |
| Direct hours of labour | 36,000 hours |
| Units of output | 20,000 units |
- Determine the absorption rate of the overheads (5 marks)

QUESTION FOUR

Budgeting as a planning activity may not achieve its purpose unless a proper budgetary control system is put in place.

Required:

- (i) Explain the steps that needs to be undertaken as prerequisites in setting up a budgetary control system (10 marks)
- (ii) Explain why ABC might, be more suitable for modern manufacturing environment than traditional cost accounting techniques? (5 marks)